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Approved For Release 2004/10/28 : CIA-RDP86T00608R000600050020-0

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CIA/OER/S-000003-75

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28 April 1975

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MEMORANDUM

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Western Credits to North Korea

Since early 1970, the North Koreans have signed contracts with firms in Japan and Western Europe for nearly \$600 million worth of industrial plants and related equipment, most to be financed by medium-term credits (see the table). Credit financing for these capital imports, as well as for record grain imports from France, Canada, and Argentina, permitted North Korea to run a trade deficit with non-Communist countries of almost \$170 million in 1973. A surge in equipment deliveries raised the deficit to at least \$400 million last year. In 1970 and 1971, this trade was roughly in balance.

Western countries have not extended government-to-government credits to North Korea; however, some of the supplier credits have been backed by government guarantees.

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estimated two-thirds of the \$500 million to \$600 million worth of medium-term credits for Western plants have been drawn. Some grain credits are still outstanding. The current North Korean payments problems include failure to meet repayment schedules on these credits and also defaults on letters of credit for the purchase of other commodities.

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**NORTH KOREA: PURCHASES OF WHOLE PLANTS
AND MAJOR ADDITIONS TO EXISTING PLANTS**

	Countries	Million US \$	Remarks
1970			
Magnesia clinker	West Germany Austria	3.8	
Hydroelectric power	West Germany Austria	4.0	Equipment for a 100-110-megawatt powerplant.
Streptomycin	Japan	N.A.	Plant to produce 20 million vials per year.
Shoe	West Germany	N.A.	Plant to produce children's shoes.
Tannery	France	3.0	
1971			
Pipe rolling	Japan	0.8	Equipment for a pipe rolling mill.
Tin plating	Austria	5.2	
Polyvinyl chloride	Japan	2.8	Plant will provide 150 million square meters per year.
Petrochemical complex	France	53.9	The complex includes a high-pressure polyethylene plant, an acrylonitrile plant, and a steam cracking plant. Additional installations were purchased in 1972 that raised the total cost of the complex to almost \$80 million.
1972			
Vinylon	Japan	3.5	
Refractory brick	Austria	10.0	This plant will produce magnesite brick; scheduled for completion in 1976.
Cigarettes	West Germany	2.6	A plant with a capacity of 6,000 metric tons per year.
Pulp, paper, and board complex	Finland	42.0	Up to 200 foreign technicians will help construct this complex.
Polyester fiber	Japan	9.7	

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	Countries	Million US \$	Remarks
Additions to petro-chemical complex	France United Kingdom Netherlands Austria Belgium	26.0	Offsite equipment for the petrochemical complex purchased in 1971, including a utility plant, storage facilities, pipeline equipment, and a bottling station.
1973 Fertilizer	Austria	49.2	This ammonia/urea complex will produce 1,200 tons of urea fertilizer per day.
Mining equipment	Sweden	3.6	This equipment will probably be used to mine iron ore.
Cement	Japan Denmark	160.0	This plant, scheduled for completion in 1976, will produce 3 million tons per year.
Acrylic fiber	Switzerland Romania	N.A.	
Flour mill	Italy	13.0	
Towel plant	Japan	1.5	
1974 Refractory	West Germany Austria	48.3	Plant to produce burned magnesite.
Fish processing	Sweden	11.4	
Watches	Switzerland	9.6	Will produce 300,000 watches per year.
Iron ore mining	Sweden	22.5	Equipment to improve an existing mine.
Electrical equipment	West Germany	3.0	
Shoe factory	France	12.4	
Textiles	Japan	59.8	A 100,000-spindle plant.

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SUBJECT: Western Credits to North Korea

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